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September 21, 2018

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

SUBJECT: PECO Energy Company Quarterly Distribution System Improvement Charge for its Electric Operations – Electric Tariff No. 5, Supplement No. 71, Effective October 1, 2018, Docket No. M-2018-3000598

Dear Secretary Chiavetta:

The filing contains PECO's quarterly Electric Distribution System Improvement Charge ("DSIC") filing as required by paragraph B.1.b of the Supplemental Implementation Order, Docket No. M-2012-2293611, entered September 21, 2016.

In accordance with 52 PA Code Section 71.4(c), PECO did not file a Quarterly Earnings Report for the 12 months ended March 31, 2018 as it has pending a general rate investigation pursuant to Title 66 PA C.S.A Section 1308(d). (See Docket No. 2018-3000164 filed March 29, 2018). The Company's DSIC rate will therefore change from 0.48% to 0.69% effective with bills rendered on or after October 1, 2018.

The following attachments are included in support of the filing:

Attachment 1 – Calculation of DSIC for the period October 1, 2018 to December 31, 2018

Attachment 2 – Supplement No. 71 to Tariff Electric No. 5

Thank you for your assistance in this matter and please direct any questions regarding the above to Rich Schlesinger, Manager, Retail Rates at (215) 841-5771.

Rosemary Chiavetta, Secretary
September 21, 2018
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Sincerely,

A handwritten signature in black ink, appearing to read "REW" followed by a long horizontal flourish.

Richard G. Webster, Jr.
Vice President
Regulatory Policy & Strategy

Copies to: C. Walker-Davis, Director, Office of Special Assistants
P. T. Diskin, Director, Bureau of Technical Utility Services
K. Monaghan, Director, Bureau of Audits
R. A. Kanaskie, Director, Bureaus of Investigation & Enforcement
Office of Consumer Advocate
Office of Small Business Advocate
McNees, Wallace and Nurick

Attachment 1

PECO
ATTACHMENT 1 - COMPUTATION OF CUMULATIVE PROPOSED ELECTRIC DSIC
APPLICATION PERIOD: October 1, 2018 THROUGH December 30, 2018

DSIC = (DSI * PTRR) + Dep + e / PQR

Line No.		Amount
1	DSI = Eligible Distribution System Improvement Costs (Attachment 1, Page 2, Column 8)	\$ 59,218,099
2	PTRR = Pre-tax Return Rate applicable to DSIC eligible property (Attachment 1, Page 3, Line 4)	2.33%
3	DSI PTR = Pre-tax Return on DSIC eligible property (Line 1 * Line 2)	\$ 1,381,058
4	Dep = Depreciation expense applicable to DSIC eligible property (Attachment 1, Page 2, Column 11, Jun-18 + Jul-18 + Aug-18)	\$ 463,807
5	e = Amount calculated (+/-) under the annual reconciliation feature or Commission audit	\$ -
6	Net Amt. Recoverable (w/o GRT) = Net Amount to be Recovered/Refunded ((includes Over/Under) Collection) (w/o GRT) (Line 3 + Line 4)	\$ 1,844,865
7	Net Amt. Recoverable (w/ GRT) = Net Amount to be Recovered/Refunded (includes Over/Under) Collection (w/ GRT) (Line 6 * Note 1)	\$ 1,960,537
8	PQR = Projected quarterly revenues (Attachment 1, Page 2, Column 12, Oct-18 + Nov-18 + Dec-18 - Note 2)	<u>\$ 284,070,606</u>
9	DSIC = Distribution System Improvement Rider (Line 7 / Line 8)	0.69%

Note 1:
1 / (1 - T) = (T = 5.9% Gross Receipts Tax)

1.062699256

Note 2:
Per Settlement at Docket No. P-2015-2471423, nuclear decommissioning costs and non-bypassable transmission costs are ineligible for use in projected revenues for DSIC purposes. Decommissioning = \$3,860,000 annual / 4 quarters = \$965,000; projected non-bypassable costs for the quarter = \$24,124,644.

\$ 25,089,644

PECO
ATTACHMENT 1 - COMPUTATION OF CUMULATIVE PROPOSED ELECTRIC DSIC PRE-TAX RATE OF RETURN
APPLICATION PERIOD: October 1, 2018 THROUGH December 30, 2018

Line No.	Capitalization Ratio	Embedded Cost	Rate of Return	Tax Multiplier	Pre-Tax Rate of Return
	(1)	Note 1 (2)	(3) = (1) * (2)	Note 2 (4)	(5) = (3) * (4)
1	46.41%	4.43%	2.06%	-	2.06%
2	53.59%	9.65%	5.17%	1.406313504	7.27%
3	<u>100.00%</u>		<u>7.23%</u>		<u>9.33%</u>
4	9.33% Annual PTRR / 4 quarters = 2.33% Quarterly PTRR				

Note 1:
Line 2, Column (2), from the PUC's Quarterly Earnings Report page 18, line 7, dated March 31, 2018 at Docket No. M-2018-3003513 (issued August 2, 2018).

Note 2:
The tax multiplier is calculated as follows: $1/[(1 - \text{Pa. Tax Rate}) \times (1 - \text{Fed Rate})]$ where the Pa. tax rate is 9.99% and Fed. Tax rate is 21%.
 $1/[(1 - 9.99\%) \times (1 - 21\%)] = 1.406313504$

PECO
ATTACHMENT 4 - STATEMENT OF OVER / UNDER COLLECTIONS
APPLICATION PERIOD: October 1, 2018 THROUGH December 30, 2018

Month	Filed DSIC Revenue Requirement Note 1	DSIC Revenue Collected	Over/(Under) Collections (3) = (2) - (1)	Over/(Under) Collection Balance (4)	Interest Rate Note 2	Number of Months (6)	Interest Amount (7)
Jan-18	\$ -	\$ -	\$ -	\$ -	5.00%	21	\$ -
Feb-18	\$ -	\$ -	\$ -	\$ -	5.00%	20	\$ -
Mar-18	\$ -	\$ -	\$ -	\$ -	5.25%	19	\$ -
Apr-18	\$ 489,282	\$ 546,419	\$ 57,137	\$ 57,137	5.50%	18	\$ 4,714
May-18	\$ 489,282	\$ 532,109	\$ 42,827	\$ 99,964	5.50%	17	\$ 3,337
Jun-18	\$ 489,282	\$ 603,588	\$ 114,306	\$ 214,270	5.50%	16	\$ 8,382
Jul-18	\$ 584,193	\$ 679,311	\$ 95,117	\$ 309,387	5.50%	15	\$ 6,539
Aug-18	\$ 584,193	\$ 691,500	\$ 107,307	\$ 416,693	5.50%	14	\$ 6,886
Totals	\$ 2,636,234	\$ 3,052,927	\$ 416,693				\$ 29,858

Note 1: Column (1) references the average net amount recoverable (w/ GRT) over the three-month filing period on Attachment 1 Line (7).

Note 2: Interest on over-collections is calculated at the residential mortgage lending specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. §§ 101, et seq.).

Attachment 2

PECO Energy Company

Electric Service Tariff

COMPANY OFFICE LOCATION

2301 Market Street

Philadelphia, Pennsylvania 19101

For List of Communities Served, See Page 4.

Issued September 21, 2018

Effective October 1, 2018

**ISSUED BY: M. A. Innocenzo – President & CEO
PECO Energy Distribution Company
2301 MARKET STREET
PHILADELPHIA, PA. 19101**

NOTICE

LIST OF CHANGES MADE BY THIS SUPPLEMENT

Language was removed to the cover page regarding temporary rates in accordance with Commission Order at Docket No. M-2018-2641242 adopted and entered on March 15, 2018.

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC) – 4th revised Page No. 45
Revised DSIC rate from 0.48% to 0.69%.

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DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
(DSIC)

In addition to the net charges provided for in this Tariff, a charge of 0.69% will apply consistent with the Commission Order dated October 22, 2015 at Docket No. P-2015-2471423, approving the DSIC.

(C)

1. General Description

A. Purpose: To recover the reasonable and prudent costs incurred to repair, improve, or replace eligible property which is completed and placed in service and recorded in the individual accounts, as noted below, between base rate cases and to provide the Company with the resources to accelerate the replacement of aging infrastructure, to comply with evolving regulatory requirements and to develop and implement solutions to regional supply problems.

The costs of extending facilities to serve new customers are not recoverable through the DSIC.

B. Eligible Property: The DSIC-eligible property will consist of the following:

Poles and Tower (Account 364);
Overhead conductor (Account 365) and underground conduit and conductors (Accounts 366 and 367);
Line transformers (Account 368) and substation equipment (Account 362);
Any fixture or device related to eligible property listed above, including insulators, circuit breakers, fuses, reclosers, grounding wires, crossarms and brackets, relays, capacitors, converters and condensers;
Unreimbursed costs related to highway relocation projects where a natural gas distribution company or city natural gas distribution operation must relocate its facilities; and
Other related capitalized costs.

C. Effective Date: The DSIC will become effective January 1, 2016.

(C) Denotes Change

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PECO Energy Company

Electric Service Tariff

COMPANY OFFICE LOCATION

2301 Market Street
Philadelphia, Pennsylvania 19101

For List of Communities Served, See Page 4.

Issued September 21, 2018

Effective October 1, 2018

ISSUED BY: M. A. Innocenzo – President & CEO
PECO Energy Distribution Company
2301 MARKET STREET
PHILADELPHIA, PA. 19101

Deleted: In accordance with Commission Order at Docket No. M-2018-2641242 adopted and entered on March 15, 2018, PECO Energy Company encloses for filing with the Commission Supplement No. 60 to Electric Service Tariff No. 5. This tariff declares the current rates and riders to be temporary rates pursuant to Section 1310 (d) of the Public Utility Code, 66 Pa. C.S. § 1310(d) for a trial period ending September 15, 2018.1

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NOTICE

PECO Energy Company
Supplement No. 71 to
Tariff Electric Pa. P.U.C. No. 5
Seventy-First Revised Page No. 1
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DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC) – 4th revised Page No. 45
Revised DSIC rate from 0.48% to 0.69%

Deleted: **RATE-GS GENERAL SERVICE – 28th Revised Page No. 53** - To change the listed rate in the Minimum Charge section that is currently incorrect and a different approved rate is being charged ¶

Issued September 21, 2018 Effective October 1, 2018

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PECO Energy Company

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PECO Energy Company

Supplement No. 71 to
Tariff Electric Pa. P.U.C. No. 5
Fourth Revised Page No. 45
Supersedes Third Revised Page No. 45

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**DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
(DSIC)**

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C. Effective Date: The DSIC will become effective January 1, 2016.

(C) Denotes Change

Issued September 21, 2018 Effective October 1, 2018

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